

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

GENERAL ADJUSTMENTS IN ELECTRIC RATES) CASE NO. 8734
OF KENTUCKY POWER COMPANY)

O R D E R

IT IS ORDERED that Kentucky Power Company ("Kentucky Power") shall file an original and 12 copies of the following information with the Commission by no later than 10 weeks after its application is filed. Each copy of the data requested should be placed in a bound volume with each item tabbed and each volume should include an index of the contents therein. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to insure that it is legible. Where information requested herein has been provided elsewhere, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. If neither the requested information nor a motion for an

extension of time is filed by the stated date, the case may be dismissed.

1. Regarding the response to AG Data Request, First Set, Item 25 provide an analysis of the major storm damage expenses for each year from 1975 through the test year showing at minimum, the amounts for materials, in-house labor and outside labor.

2. Regarding the response to AG Data Request, First Set, Item 26 provide for each year from 1978 through the test year the following information for tree trimming expense:

- A. A breakdown of in-house costs and outside charges.
- B. The number of trimming crews employed.
- C. The volume of work performed.
- D. The selection process for outside trimming crews.

Also provide a general description of the increase in tree trimming costs over the past 5 years, including increased prices and/or increases in the amount of work performed.

3. Regarding the AEP Co. consolidated tax losses provide the following information:

- A. The method of payment through which the AEP shareholders pay for the expenses which generate the tax loss.
- B. The amount and sources of the taxable revenue generated by AEP during the test year.

C. The amount and sources of the tax deductible expenses generated by AEP during the test year.

4. Provide the report from Standard and Poor's explaining its' downgrading of Kentucky Power's First Mortgage Bands on May 13, 1983.

5. In reference to P.S.C. Data Request, Second Set, Item 23, provide workpapers showing how the estimated unused line of credit balances were developed.

6. In Item 25C of the response to P.S.C. Data Request, Second Set, there is the statement that "...alternative models were rejected based on an R2 criteria." Yet the alternatives presented on pages 5 and 8 of the response both have higher R2 values than the accepted model on page 2.

A. Provide the graphs and data as presented in LRJ-1 for the models represented on pages 5 and 8 of Item 25.

B. Provide further explanations as to why the models on pages 5 and 8 were not used.

7. On page 3 of Exhibit LRJ-3 the Durbin-Watson statistic for the industrial elasticity model is reported as .9411.

A. Perform the Durbin-Watson test for this model and provide your conclusions about the presence of correlation in the model.

B. List and describe the consequences of the presence of autocorrelation in a regression model.

C. Indicate what, if any, attempt has been made to correct for the presence of autocorrelation.

8. Provide the workpapers of the minimum system study used to classify certain distribution costs as demand-related or customer-related.

9. Describe what is meant by "hours of similar costs" as used on line 3, page 12, of Berndt's testimony.

10. On page 26 of Berndt's testimony reference is made to the z value or standard normal distribution. Explain why the t distribution was not used as it normally is when the number of observations is less than thirty.

11. In its order dated March 18, 1983 in Case No. 8624, General Adjustment of Electric Rates of Kentucky Utilities Company, and its order dated April 1, 1983 in Case No. 8648, Adjustment of Rates for Wholesale Electric Power to Member Cooperatives of East Kentucky Power Cooperative, Inc., the Commission discussed proposed adjustments to reflect the matching of fuel costs and fuel revenues recovered under the Fuel Adjustment Clause. The Commission stated that it would investigate this issue in future rate proceedings for each of the electric generation and transmission companies under its jurisdiction. Kentucky Power's responses to items 45 and 46 of the Commission's information request dated May 5, 1983

seem to indicate that the fuel costs included in its proposed revenue requirement exceed the fuel revenues included in the revenue from current and proposed rates by \$9,722,251 (\$84,049,811 less \$10,580,573, and \$63,746,987).

A. Do the fuel costs included in the proposed revenue requirement exceed fuel revenues included in revenue from proposed rates by \$9,722,251? If no, explain.

B. If fuel costs for the test year did not equal fuel related revenues, does Kentucky Power expect the mismatch to be recurring? Explain.

12. Explain why, in the proposed Residential Service tariffs, each charge was not increased by an equal percentage, instead of a 49 percent increase to the customer charge and the first energy block of 500 KWH, while the second energy block of all over 500 KWH was increased a maximum of 9.5 percent.

13. In the proposed General Service tariff explain why the proposed increase was not equally distributed to all charges.

Done at Frankfort, Kentucky, this 3rd day of June, 1983.

PUBLIC SERVICE COMMISSION


FOR THE COMMISSION

ATTEST:

Secretary